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NPIC/TDS/D/6-
30 November 1966

MEMORANDUM FOR: Deputy Assistant for Technical Development, NPIC

THROUGH: Chief, Development Staff, TDS

SUBJECT: [] Problem

1. Facts Bearing on the Problem:

a. [] is in rather precarious financial condition. Failure to provide at least partial relief could result in bankruptcy.

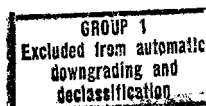
b. [] has been a valuable contractor - good engineering but poor management. There is little competition in their field; their loss would be our loss.

c. The contract should have been a cost type. Procurement Division, OL pushed [] into accepting a fixed price contract over the objections of the contract monitor. []

d. Procurement Division, OL failed to include the development objectives in the contract -- standard good contracting procedure.

e. Two of the units are not Agency, one is Army (SPAD) and one Navy (NRTSC).

f. Funds are available in FY-1963 and ^{FY-}1964 to cover the "change in scope". If we can charge against the year in which they occurred. [] says he thinks we can.

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g. [] claims a total out of ~~the~~ pocket "overrun" on this contract of []

h. Agency auditors claim that of this amount [] is the predicted total allowable expenses -- if it had been a cost type contract.

i. Our original answer to [] claims was that there was no change in scope, ^{and} that it was an overrun pure and simple -- there is no vehicle for paying overruns on fixed price contracts.

j. Office of Logistics discovered the development objectives were not written into the contract and asked that we re-evaluate [] claims with respect only to what was promised in the proposal. This was done in our memo # [] . Our analysis indicated that only in one item, the vacuum holddown, did there appear to be any basis for a claim as to a change -in- scope.

k. Office of Logistics has been proceeding towards a negotiated settlement. They currently intend to offer [] a settlement which amounts to an increase of [] over the present contract.

2. Recommendations:

a. That we have [] contact [] as to the legality of the problem.

b. Assuming it is legal, that we should fund as a change-of-scope all those costs which the auditors considered allowable

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which result from the vacuum holddown portion of the contract and maybe a little over up to a maximum of

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c. That these funds be charged against FY-1963 for the Point Transfer Device and FY-1964 for the Fiber Optic Viewers -- this should keep both packages under - internal to NPIC the Center.

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d. That our letter to OL authorizing these funds should state our concern over the type of contract let and non-inclusion of the development objective.

e. That we fund the ~~Service~~ ^{Army and Navy} portions since this is essentially uncollectable.

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f. It appears to me that this approach puts the burden on OL's to settle for under or to tell to go to the Court of Appeals, which they seem loath to do, or re-negotiate the contract on some basis other than Change of Scope.

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Chief, Exploitation Systems Branch, TDS

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